



Special Edition for . . .
PERS
Members

Montana Public Employee Retirement Administration (MPERA)

Fall 2001

Announcing...

"The choice is yours . . . the time is now."



YOUR RETIREMENT PLAN CHOICE

Defined **BENEFIT**
DB

Defined **CONTRIBUTION**
DC

Education Campaign

All active members of the Montana Public Employees' Retirement System (PERS), will have a retirement plan choice next year. You may:

- **Remain in the Defined Benefit Retirement Plan (DBRP), or**
- **Transfer to the Defined Contribution Retirement Plan (DCRP)**

Your choice will depend on your personal and financial circumstances. Your age, years of service with PERS, current and future income, marital and family status, planned retirement age and other factors will have a major impact on your decision.

To help you make an informed decision and retirement plan choice, the MPERA, with the assistance of Education Technologies, Inc., has developed a

comprehensive education campaign. This newsletter formally begins this education campaign.

The education campaign will provide you with a wealth of relevant information as well as numerous education support tools. The education tools you will receive range from workbooks to videos, web sites to decision-modeling software, and live workshops to phone support

lines. Please see page two for the full list of tools, and when and how they will become available.

As you take advantage of these tools, you'll become prepared to make the right decision. We strongly encourage you to take full advantage of the tools. Make your decision only after you have fully reviewed all the tools and understand each retirement plan.

Do we have your current address?

If you received this newsletter from your payroll clerk rather than at your personal mailing address, there is one of two reasons: (1) Your address was incorrect in our database, or (2) We have not received addresses from your employer for our database. If your address was incorrect on your newsletter or if it changes, immediately inform your payroll clerk of your new address. Your payroll clerk should inform us of your current address to ensure that you receive each of the education tools to assist you in making an informed retirement plan choice.



If you are an active member, you will receive a Primer Toolkit in November with solid introductory information on the Defined Contribution Retirement Plan and the Defined Benefit Retirement Plan. We suggest you begin to save all materials that relate to the Retirement Plan Choice for future reference.

You can not make a decision now, but you will need to make the decision between July 1, 2002 and June 30, 2003.

See page two for the Education Campaign Checklist . . .



Education Campaign Checklist

This Education Campaign Checklist highlights the tools which will be available and the approximate dates they will be mailed or be available to you.

1	Newsletter One This is it! Basic information about the transfer decision and the education campaign: Defined Benefit or Defined Contribution.	Read and Save!
2	Primer Tool Kit (November 2001) Put all correspondence relating to your MPERA plans in this Tool Kit for convenient review.	Read and Save!
3	Visit the Web Site (December 2001) Learn more about MPERA and your retirement planning.	Surf!
4	Phone Support (January 2002) Call for answers to additional questions anytime. - MPERA at 406-444-3154 or toll free 877-275-7372, for questions about the Defined Benefit Retirement Plan or Defined Contribution Retirement Plan. - Educational Technologies, Inc. will have a phone line available January 2002, for questions about Retirement Plan Choice Opportunity and Education.	Call!
5	Review the Video Book Pack (February 2002) Some people like to watch the video first then go through the book. Others like to go through the book, then watch the video. Either way, review both!	Read and Watch!
6	Newsletter Two (March 2002) Additional retirement and investment concepts to help you in your decision-making.	Read and Save!
7	Personal Statement (March 2002) Keep this statement handy. You will need it to use the modeling software and for phone consultations.	Compare!
8	Modeling Software (April 2002) Visit the Web Site and work online with the interactive retirement modeling software.	Model and Calculate!
9	Workbook (April 2002) Complete information in hard-copy format - an excellent reference tool.	Read and Reference!
10	Group Workshops (Beginning in April 2002) Workshops will be held throughout the state. Schedules will be available on the Web Site or by fax. At these workshops you will learn retirement plan specifics and relevant decision-making factors. You will be able to ask questions.	Attend and Learn!

Q & A

Frequently Asked Questions

We hope this newsletter answers some of the questions you have regarding the retirement plan education campaign. Following are answers to a few of the more frequently asked questions we have received.

Q Why do I have this choice?

A In 1999, the Montana Legislature created an opportunity for PERS members to choose between their current Defined Benefit Retirement Plan and a new Defined Contribution Retirement Plan. The education campaign in which you are now participating is part of the MPERA's implementation of this legislation. We hope the retirement plan choice will provide members with benefits in terms of flexibility and general retirement planning.

Q How long will I have to make my decision?

A (1) **Active members** who are reported to the MPERA by their employer and submit contributions as of July 1, 2002, will have a decision window from July 1, 2002 through June 30, 2003, a full twelve months. (2) **Newly hired** employees (hired July 1, 2002, and later) must make their decision within twelve months from their date of hire, as reported to MPERA by their employer. (3) **Inactive members** will have twelve months from their date of re-

employment, as reported to the MPERA by their employers, if they return to work in a PERS-covered position. Once the decision is made, it is **irrevocable**. This means, of course, that members can not change their minds once the election form is filed with the MPERA. Therefore, it is critical for members to carefully consider all the factors involved.

Q What are the main differences between a defined benefit and defined contribution retirement plan?

A In any defined contribution retirement plan, members assume all investment risk. However, they may also benefit by capturing all of the investment rewards. The retirement benefit depends upon their account balance - what they are able to accumulate through regular contributions, any earning on such contributions, less administrative expenses.

In contrast, defined benefit retirement plan members assume no investment risk. Even if investment returns are less than expected, they will always receive the benefit calculated by the plan's formula. They are guaranteed a lifetime benefit upon retirement.

In other words, much of your decision may rest upon the kind of investor you are and your tolerance for risk.

Q What should I do if I am currently purchasing service?

A You still have the same choice of the Defined Benefit Retirement Plan or the Defined Contribution Retirement Plan. However, you must satisfy the terms of the purchase contract, either by completing the purchase (with a lump-sum payment) or by prorating the purchased amount. Completing the purchase with a lump-sum payment can be made according to IRS rules and limits.

Q Can I change my mind about which retirement plan I want?

A No. Once you file a completed, signed Election Form with the MPERA, your retirement plan choice is **irrevocable**. Therefore, it is critical that you carefully consider each plan based upon your personal and financial factors before making your final decision on the Election Form. (You will receive the election form prior to July 1, 2002.)

Because your choice can not be changed, it is very important for you to carefully consider which retirement plan is best for you. This is why the MPERA is providing an extensive retirement plan education campaign to assist you in your decision.

Federal Legislation

New Opportunities for members of public retirement plans.

The Federal Growth and Tax Relief Reconciliation Act of 2001 was signed by President Bush on June 7, 2001. This Act contains some important retirement savings and improvements for retirement plans administered by the MPERA as well as other retirement savings plans. The Act makes provision for many improvements which include increasing contribution limits, expanding the funds that can be used to purchase service credit, and increasing the opportunity for roll-overs between different types of plans. **We will update you as changes become effective for the MPERA retirement plans.**

The MPERA staff and the Montana Public Employees' Retirement Board (PERB) is studying the tax relief legislation and preparing for implementation of the new requirements. Some of the changes are to be phased in over a period of years, while a few changes have delayed effective dates. Also,

some of the changes are "permissive." The Public Employees' Retirement Board (PERB) will determine which of these are to be implemented. You will be notified in time to take advantage of the new opportunities.

Annual Statements Mailed in August

By now you should have received your Defined Benefit Plan Annual Statement. Statements were mailed in August to over 30,000 members in approximately 500 agencies. If you were working in June 2001 and have not received your annual statement, contact your payroll clerk or the MPERA office.

As a result of the actuarial valuation, changes were made to all tables and rates used by the MPERA.

The annual membership statements provide projections for the amount of retirement benefit you would receive by continuing your employment until reaching three various ages — 50, 55, and 60. This projection includes the impact the three

percent Guaranteed Annual Benefit Adjustment (GABA) would make over the course of your lifetime.

The MPERA has an actuarial valuation completed every two years for all retirement systems administered by the MPERA, along with an experience study to be completed every five years. As a result of the actuarial valuation, changes were made to all tables and rates used by the MPERA. These new tables and rates were used to calculate the potential lifetime benefit reflected on your statement. This resulted in a change to the calculations for your estimated future benefit.

If you received your statement from your payroll clerk rather than

at your home address, or if your mailing address was incorrect, it is important that you inform your payroll clerk of your current mailing address. (Your statement also provides information and a space to make an address change **in writing**.)

Just a reminder . . .

To request a membership card from your payroll clerk or from the MPERA to update the following information:

- **Name change.**
- **Beneficiary changes due to a change in family circumstances.**

When writing to the MPERA, don't forget to . . .

- print your full name and address on your letter;
- include your social security number and your daytime telephone number; and
- sign any request for retirement and benefit

A Message from the MPERA Executive Director, Michael O'Connor

On behalf of the Montana Public Employees' Retirement Board and the MPERA staff, I would like to take this opportunity to send our thoughts and prayers to the family and friends of those who were victims of the terrorist attacks on our county.

While some may wonder what the future holds, we want to reassure you regarding your retirement system at the MPERA. The operations of the MPERA are functioning normally. This incident will not impact your retirement benefits.

The recent events have unsettled the financial markets, and while we can't predict future performance, history bears out that declining markets will recover. We continue with our long-term investment strategy and remain confident in the U.S. economy and its financial systems.

As we all work to resume normal lives and feelings following the terrorist attacks in New York and Washington D.C., the MPERA remains committed to assisting you to achieve a quality retirement. Please let us know how we may serve you.

Information for National Guard & Reserve Members USERRA Covers Retirement System Members

The Uniformed Services Employment and Reemployment Rights Act (USERRA) provides reemployment rights for members of the National Guard and Reserve who are called to active duty military service. It also requires employers to preserve pension benefits for qualified employees who are mem-

bers of public employees' retirement systems.

To be eligible to preserve pension benefits, an employee must be reemployed by their employer and pay any employee contributions necessary within the timelines outlined by the USERRA. If enacted, changes in federal

and state law, such as those enacted during previous times of military action, also may affect an employee's pension rights.

Call the MPERA for more information. Contact persons are: Kim Flatow, Marjorie Rowley, or Carrie Jenkins of the Member Services Bureau.



The Montana Public Employees' Retirement Board has been awarded the *Certificate of Achievement for Excellence in Financial Reporting* by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). It is the third consecutive year the Board has received this award.

The Certificate of Achievement, awarded to Roxanne Minnehan, Fiscal Services Bureau Chief, is the highest form of recognition in the area of public employee retirement system accounting and financial reporting. Its attainment represents a significant accomplishment. The CAFR requires a lot of time, skill, attention to detail, and the dedication of several individuals. The MPERA Fiscal Services Bureau staff strives to improve on the information provided each year.

The CAFR has been judged by an impartial panel to meet the high standards of the program. These standards include demonstrating a constructive "spirit of disclosure" to clearly communicate the financial story and motivate potential users and user groups to read the CAFR.

Need information? Contact us at . . .

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**Questions?
Contact the
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Executive Director

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*Should any information in this
newsletter conflict with statute or
rules, the statute or rules will
apply.*

PERS Member Handbooks have been updated—they will be distributed to you by your payroll clerk, in November.